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Resumption of specie payments

Washington

1876

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RESUMPTION OF SPECIE PAYMENTS.

SPEECH

OF

HON. GUSTAVE SCHLEICHER,

OF TEXAS,

IN THE

HOUSE OF REPRESENTATIVES,

JANUARY 29, 1876.

WASHINGTON
1876.

SPEECH

OF

HON. GUSTAVE SCHLEICHER,

OF TEXAS,

IN THE HOUSE OF REPRESENTATIVES,

Saturday, January 29, 1876.

The House being as in Committee of the Whole on the state of the Union—

Mr. SCHLEICHER said:

MR. SPEAKER: It would have best accorded with my personal preferences to have found in the House the sign of a well-defined financial policy, which would agree with my general convictions of what the country needs and demands, and to have followed a lead in that direction. But it seems to me that our path for the future in that respect is still in the dark, lighted only by eternal truth and the teachings of experience. I have come to the conclusion that my duty, like that of every Representative in a time like this, is an earnest, devoted adherence to truth and honesty, and complete and unreserved loyalty to the convictions of right, which I have formed from the lights before me. No good, at this time, can come from the politician's reasoning to find out the drift of popular will, and take the course which seems to lead to the people's favor. Public opinion itself is not formed, and the course which might to-day seem to lead to popular approval may to-morrow be found to lead away from it. No time-serving views will now answer. A firm determination to do right, to follow a conviction arrived at, after earnest and laborious searching, cannot be wrong. The people mean to be honest and right; this is the fundamental idea of my political faith. They will appreciate the right when they see it. Upon the whole, I do not know but that the rough maxim of Crockett, one of the first heroic victims who fell for Texan independence from Mexico, will outweigh all the subtle diplomatic calculations of politics: "Be sure you are right, then go ahead."

NATIONAL DEBT.

The national debt is a severe burden upon our people. It is a heavier burden than the national debts of such nations as the English or the French are to them. For theirs are debts owed at home, owed by the nation to its own citizens. The total wealth of a nation is not affected by such a debt; it neither adds to it nor detracts from it. The bondholders are tax-payers. The interest, which is the real, ever recurring annual burden, goes to the citizens, remains in the country, and counts in the aggregate of the people's revenues, as well as in the aggregate of the expenditures. These are the redeeming features of a home debt. It is different with a debt owed abroad. There the interest upon the national debt is a periodical drain upon the resources of the nation which must be made good by the labor and the produc-

tions of the people. It is a periodical outflow of so much capital from the debtor country, without any redeeming feature, an expense absorbing the fruits of the people's labor to the extent of its amount.

Of the funded debt of the United States, more than half is owed abroad, and, as the annual interest is somewhat over $100,000,000, the annual outflow of money from the country, uncompensated and totally lost to the people, is now more than fifty millions. The remaining portion is held at the North, and to that extent the Northern States enjoy the redeeming features of a home debt. Nearly one-half of the annual interest paid by the nation is received and enjoyed by the Northern States. This and the fact that large fortunes were accumulated and the industry of the Northern States was stimulated and sustained during the war are some of the compensating features of the debt at the North.

THE SOUTH.

We have none such at the South. We are debtors only. Our relation to the public debt is only the relation of the tax-payer. Struggling into new life from the ruin and prostration which were our lot after the late civil war and its subsequent troubles, we find ourselves called upon by duty to take up our part of the burdens of the public debt without any of its mitigating features.

Representing, in part, a Southern State, it is natural therefore that I should view this great question from the stand-point of the tax-payer. In my district there are few bondholders. Few, if any, have any possible relation to the public debt, more than to bear their share of the burden. If therefore my judgment should be under any bias, it certainly cannot be in the interest of the capitalist, the money speculator, or bondholder. My special duty to my constituents impels me, and all my inclinations lead me, to advocate and adopt the side of the large body of tax-payers.

HONOR AND INTEREST ALIKE.

The honor of our country is intrusted to every citizen. Far be it from me to intimate that it is not dear to our people, or that we would not make a sacrifice of our interest, when necessity demands it, for its sake. But I am convinced, and I propose to show, that no such sacrifice is required, that our honor and interest both point out our path in the same direction, and that in upholding the one we shall best subserve the other.

As to the principal of the debt, our only course is to deal with it honestly as best we may. But the interest is not an unchangeable amount, it is the real annual burden on the tax-payer, and it is in our power to greatly diminish it by proper action.

The credit of a nation is the confidence which the public opinion of the world entertains that it will comply with all its engagements and promises. That confidence rests upon the belief, first, in its ability to comply with its engagements; and second, upon the belief in its good faith and earnest will to do so. In all cases where the ability is unquestioned, credit rests solely upon the faith of the world in the strict integrity, truth, and honor of the nation, and the degree of such faith and confidence regulates the money value of its obligations. That value is expressed not only by the price of the obligations in the market of the world, but also by the higher or lower interest at which the nation can place its obligations. Thus, low interest on a national debt is the reward earned by the nation by pure, unhesitating, and unvarying honor and honesty; while higher interest is a penalty paid by a nation for every deviation from the strictest integrity in complying with its promises.

LOW INTEREST.

The true economy and wisdom which lies in unswerving honesty ought, therefore, to be clear to all. Every individual tax-payer is directly interested in placing the honor and credit of his nation on the very highest point in the world's estimation, for, as the nation's credit rises, so, by prudent management, the interest, which is the immediate periodical burden, will become easier. The national debt of England bears 3 per cent.; our own funded debt bears 6 per cent. on two-thirds and 5 per cent on one-third of the amount. If by prudent economy and spotless integrity we should raise our credit to the standard of English credit, the annual saving for our tax-payers would be on the amount of about seventeen hundred millions of our bonds, $46,000,000, nearly one-half of the entire interest. This shows the tangible and material value of our national honor to every citizen. Such a result may not be at once attainable, but let the friends of retrenchment turn their attention in this direction and recognize the fact that every approximation to this " consummation so devoutly to be wished " will be the most efficient retrenchment of our expenses. Already has the fair dealing, as far as our bonds are concerned, raised our credit so that five hundred millions of 6 per cent. bonds have been replaced by 5 per cent. bonds; thus far an annual saving of five millions well earned and pointing the way to further reductions.

The question naturally arises, in what particular has our policy as regards our national finances fallen short of that high standard necessary to place our credit on an equality with the best? And here we are face to face with the question of our national currency, or greenbacks, for they constitute the dark spot on an otherwise bright escutcheon.

GREENBACKS.

The greenbacks, or legal-tenders, that portion of our public debt which bears no interest, amount, in round numbers to three hundred and seventy-five millions. Upon its face, every one of these notes bears this inscription:

> The United States will pay to bearer (ten) dollars.

This is a fruitful text to argue from and contains in fact the whole question in a nut-shell. First, it proves that, in the opinion of the Congress making these papers, they were not money.

In 1862, when these papers were first issued, a promissory note to pay a certain number of dollars had a definite meaning. It meant that gold or silver, the only dollar then known, was to be paid. By the act of March 18, 1869, Congress, re-affirming what was the obligation before, declares:

> The United States solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

Is it not a strange fact that, in 1876, Congress should still consider it a matter of discussion whether this pledge made in 1862, re-iterated solemnly in 1869, should be kept or not; whether these notes should be paid, as promised and re-promised, in coin or not? Has not the corrupting poison of this broken promise already blunted our moral perceptions?

> The United States will pay the bearer (ten) dollars.

It does not say when, it only acknowledges the debt and the obligation to pay it. In ordinary life, and between individuals, this would be a note payable on demand, and a court would so enforce it. As coming from the Government, the holder has no legal remedy against

the debtor; he cannot enforce the payment by law. How would common honesty then decide it? During the war no one could expect the Government to redeem these promises, as it was engaged in a struggle for its existence. Since the end of the war and the return of ordinary prosperity, honesty would have dictated that the redemption should have commenced, to use the phraseology of the act of 1869, "at the earliest practicable period."

That the nation was exempt from compulsory legal process could not have been an argument for delay. No statesman who has the honor of his country at heart, and understands the close connection of national honor, national credit, and national prosperity, would give expression to such an argument without a blush. That the currency part of the debt should be used as a contrivance to obtain a continued loan, without interest, from our people, forced by the legal-tender act to take it, a permanent forced loan, and thereby save the reasonable interest on its amount, would be an argument equally mean and dishonorable, and, moreover, as I propose to show, as erroneous and deceptive in its results as it is contemptible in its intent.

No reason, therefore, existed why, in compliance with all these promises and pledges, the redemption of these long-dishonored promises to pay should not have been taken up "at the earliest practicable period."

To any careful reader of the act of May 18, 1869, it would seem that a manner of redeeming these greenback notes, by paying them in coin, was indicated with sufficient clearness to be seen by a willing eye. The first section of that act reads as follows:

> SEC. 3693. * * * But none of the interest-bearing obligations not already due shall be redeemed or paid before maturity, unless at such time United States notes are convertible into coin at the option of the holder, or unless at such time bonds of the United States bearing a lower interest than the bonds to be redeemed can be sold at par in coin.

According to this act the plain rule would be that the surplus gold which might collect in the Treasury from custom receipts, over and above the interest on bonds, should be first exclusively used in the redemption of the legal-tender notes, the only manner of making them convertible into gold, and after that was accomplished only bonds, not matured, should be bought.

Instead of that, the Government, entirely disregarding the act, employed the surplus gold, sufficient, with the help of a small sale of bonds, to redeem the whole volume of three hundred and eighty millions of legal-tenders to purchase bonds many years before their maturity. The ostensible motive was the saving of interest. As an act of saving it was penny-wise and pound-foolish, as I will show, while it made the evils of our currency permanent, and kept our credit depreciated when it would have been improved, if the legitimate task, the payment of the debt past due, had first been accomplished. It was an act of bad faith and as such carried with it the penalty of bad faith, an impaired credit.

From the financial report of 1874, I take the total purchases of bonds from May, 1869, when the above law passed, to 30th of September, 1874, at the face value of $323, 353, 800.

I take the value including purchases for the sinking fund, because I am perfectly convinced that the purchases for the sinking fund were also subject to the conditions of the first article of the law of 1869. It would lead me too far to go further into this argument at this moment.

It is sufficient to say that it was in the power of the Government to have paid this non-interest-bearing portion of our debt to close the

period of the corruption of our entire financial system by irredeemable currency, but that it was preferred instead to buy up part of the funded debt long before maturity and in the face of law.

IRREDEEMABLE PAPER.

The evils of a paper currency not redeemable in coin have long been known and should require no explanation. But it seems there is always a mental epidemic created by the delusions of this fictitious money against which many of the best minds have not been found proof. Before the late war, it is safe to say, there was not a public man in the United States of any standing who was not satisfied that gold or silver, and paper convertible at will into gold or silver, was the only safe medium of circulation. It is indeed a matter beyond a doubt that the conviction of the leading minds was that the Constitution had effectually guarded against Government issues of paper as legal-tender. Calhoun and Webster repeatedly expressed themselves to that effect. The States being prohibited especially from making anything but gold or silver a legal tender, and the grant of power to the Federal Government being only to coin money and regulate the value of foreign coin, the matter seemed to be set at rest. In fact, even the decision of the Supreme Court sustaining the legal-tender act places its legality altogether on the right of the Government to do such acts as will save the country in war, leaving the clear inference that in peace Government has no power to pass such an act; while a minority of the court, with Chief Justice Chase at its head, denied the constitutionality altogether.

Indeed all experiments in modern history with irredeemable currency stand out as a warning. We need not go to France to study the history of Law's famous scheme and of the revolutionary assignats; we have sufficient history in America. Before Law's time the American Colonies had their legal-tender notes. More than one hundred years ago the celebrated Scotchman, Adam Smith, wrote in his Wealth of Nations:

> The paper currencies of North America consisted, not in bank-notes payable to the bearer on demand, but in a government paper of which the payment was not exigible till several years after it was issued; and though the Government paid no interest to the holders of this paper, they declared it to be, and in fact rendered it a legal tender of payment for the full value for which it was issued. But allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at 6 per cent., is worth little more than forty pounds ready money. To oblige a creditor therefore to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice as has scarce perhaps been attempted by the Government of any other country pretended to be free. It bears the evident marks of having been originally what the honest and downright Dr. Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors. * * * The government of Pennsylvania indeed pretended, upon their first emission of paper money in 1722, to render their paper of equal value with gold and silver by enacting penalties against all those who made any difference in the price of their goods when they sold them for colony paper and when they sold them for gold and silver. * * * Notwithstanding any regulations of this kind it appeared, by the course of exchange with Great Britain, that a hundred pounds sterling was occasionally considered as equivalent in some of the colonies to a hundred and thirty pounds and in others to so great a sum as £1,100 currency; this difference in value arising from the difference in the quantity of the paper emitted by the different colonies and in the distance and probability of the term of its final discharge and redemption.

On the continental money of the Revolution, I will only give a quotation from Peletiah Webster, of Philadelphia:

> All the suffering and evils which the country endured from all other agencies were insignificant in comparison with the misery that resulted from the introduction and use of irredeemable paper money and the consequent irregularities of the whole American fiscal system.

> We have suffered more from this cause than from any other cause of calamity. It has killed more men, perverted and corrupted the choicest interests of our country more, and done more injury than even the arms and artifices of our enemies.
>
> If it saved the State, it has violated the equity of our laws, corrupted the justice of our public administration, enervated the trade, industry, and manufactures of our country, and gone far to destroy the morality of our people.

At a later period in our history the great Daniel Webster in a memorable speech, often quoted and never to be forgotten, spoke as follows:

> A disordered currency is one of the greatest of political evils. It undermines the virtues necessary for the support of the social system and encourages propensities destructive of its happiness. It wars against industry, frugality, and economy, and fosters the evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind none has been been more effectual than that which deludes them with paper money.
>
> This is the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, all these bear lightly on the happiness of the mass of the community, compared with a fraudulent currency and the robberies committed by a depreciated paper. Our own history has recorded for our instruction enough and more than enough of the demoralizing tendency, the injustice, and intolerable oppression on the virtuous and well-disposed of a degraded paper currency authorized by law, or in any way countenanced by government.

Conspicuous in the history of our times above many of his contemporaries will always be the name of Salmon P. Chase. Chase, the great financier of the war, whose mind was inexhaustible in resources, the Secretary of the Treasury, was probably foremost among those who unhesitatingly created the currency and forced it upon the people at the time of what he thought the country's need. But after the war had closed, and when he occupied the highest judicial office in the country, with a rare moral courage and free from that small fear of inconsistency characteristic of small minds, he unhesitatingly declared the paper money which he in part had created unfit for circulation as money, and the act which had made it a legal tender and had forced it upon the people unconstitutional and void.

In delivering his opinion dissenting from that of the majority of the Supreme Court he said:

> In considering this question, we assume as a fundamental proposition that it is the duty of every government to establish a standard of value. The necessity of a standard is indeed universally acknowledged. Without it the transactions of society would become impossible. All measures, whether of extent or weight or value, must have certain proportions of that which they are intended to measure. The unit of extent must have certain definite length, the unit of weight must have certain definite gravity, and the unit of value certain definite value. These units, multiplied or subdivided, supply the standard by which all measures are properly made. The selection therefore by the common consent of all nations of gold and silver as the standard of value was natural, or, more correctly speaking, inevitable. For whatever definition of value political economists may have given, they all agree that gold and silver have more value in proportion to weight and size, and are less subject to loss by wear or abrasion, than any other material capable of easy subdivision and impression, and that their value changes less and by slower degrees through considerable periods of time than that of any other substance which can be used for the same purpose; and these are qualities indispensable to the convenient use of the standard required. In the construction of the constitutional grant of power to establish a standard of value every presumption is therefore against that which would authorize the adoption of any other materials than those sanctioned by universal consent.

MEASURE OF VALUE.

Money is a medium of exchange, and money is a measure of value. This function of money, to measure values, paper cannot perform. It has no intrinsic value, and we see that it is variable in value and fluctuating; how then can other values be measured by it? The lowest state of commerce is by barter, a higher degree is by the exchange of

commodities for the universal medium of exchange, that is, gold and silver; but the gigantic proportions of commerce in highly civilized countries require credit in its various forms, drafts, checks, orders, and mutual accounts, resting greatly on confidence and honesty. It may be said that the commercial nations of highest standing carry on the greatest transactions on the least handling of money. It has been stated by good authority that the business transactions in England, France, Germany, and the United States of America are in the proportion of 95 per cent. of credit in its various forms to only 5 per cent. by actual money payments. This may at least approximate the truth. When it is considered that the standard of value is the basis of all these transactions, the 95 per cent. as well as the 5, the credit transactions as well as the cash transactions, the enormous importance of a stable and uniform standard of value and the mischief which a variable, fluctuating money as the standard of value must produce, the confusion and uncertainty it must cause in all transactions, or, more properly speaking, the total unfitness of fluctuating money as a standard of value must be at once apparent. Our country has borne it with all the sacrifices it has entailed, but in our transactions with other nations we have to come to their standard, gold or silver. They measure, as has been well expressed, with a yard-stick of thirty-six inches, as we did in former times, and, so God will, may soon again: we measure with one which is thirty-two inches to-day, perhaps thirty-three inches to-morrow, and may be thirty-one the day after.

LOCAL MONEY.

This difference of our currency with the currency of the world has the serious effect of isolating our whole system. In nations with a healty currency, the question is hardly ever considered how much currency is wanted for the demands of business. Like water, money seeks its level. It keeps moving from where it is not wanted to where it is wanting, like any other commodity. But we have placed ourselves outside of this natural operation by making a kind of money worthless abroad, and therefore some of our statesmen have racked their brains to find out exactly how much money we should issue. They differ from each other by hundreds of millions, but their troubles would all be set at rest whenever they bring back the currency of the world and thereby re-establish that healthy rotation.

Senator Sumner well expressed this defect of our currency:

> Being local, it is necessarily limited and without adaptability. It cannot travel abroad, nor can it receive help from abroad. All that it is, and all that it can be, are contained in itself. There it is, nor more, nor less; the same at all times, in the highest tide of business, as when business is idle. In this unchangeable rigidity, sometimes called want of elasticity, there is an evil of the first magnitude. This can be relieved only by making our currency cosmopolitan, so that it will be aided by the currency of the world.

Indeed the cosmopolitan character of commerce and intercourse throughout the civilized world has made an exclusively local currency an intolerable burden for any people not absolutely Chinese. The only possible money, for any nation with large dealings, is now the real value of gold and silver, not valuable only by coinage, but by weight and fineness. The power, tyrannical in its nature, which in a country can enforce and impose worthless paper or debased metal on its own people under the fiction that the coinage or inscription gives it value, ceases at once when it crosses its own border and is forced to fair dealing. The best governments deal as fairly with their own people as with strangers, and the only correct principle is, that the coinage stamp on a gold or silver coin is a certificate as to its weight and

fineness, no more, not making the value nor adding to the value, but a ready proof of the value only.

Among the evils imposed upon the people by the fluctuating money I will single out two of the most glaring, imposing enormous and ruinous burdens, compared with which the boasted saving of interest on that portion of our debt represented by legal-tender notes stands out in all its naked folly as a pitiful delusion.

PREMIUM ON GOLD.

First, the premium on gold. When our farmer or our mechanic, our doctor or lawyer, reads in the papers that gold is at 17 per cent. premium at New York, he wonders that our money is going backward instead of advancing gradually to par with gold, as was so confidently predicted. He thinks there must be something "rotten in the State of Denmark," but it does not disturb him much, as he thinks he has no gold to buy. It might disturb him more if he would realize the fact that it is he himself and his friends and neighbors who pay that premium, not of 17 per cent., but twice that premium or more.

Who buys the gold which is sold at New York at these quotations? The speculators buy to sell again, but the regular purchasers are the importing merchants. They buy it, first, to pay their freights, which, as coming in foreign bottoms, are payable in gold. They pay their duties on importations to our Government in gold and settle their balances in Europe in gold, or remit cotton or wheat at gold prices. In making their greenback prices they add up first cost, freights, and duties, and to that add the premium on gold. Reflecting that not long ago gold was at 8 per cent., and that, for reasons they do not know, it went up to 17 per cent., they find it difficult to say what it will be in three or six months, and, to cover the risk, they take an outside figure, say 20 per cent. On this, as well as on the other portion of their investment, they add their profit. Thus, in the hands of the jobber to whom the importer sells, these 20 per cent. have become, say, 23 per cent.; in the hands of the wholesale dealer throughout the country, to whom the jobber sells, it is 26 per cent.; in the hands of the retail merchant, 30 per cent.; and in the hands of the consumer—the farmer, the mechanic, the lawyer, the doctor, or the day laborer—it is not less than 34 per cent, to be in reasonable bounds, or double the quoted premium.

The final consumers, then, or the tax-payers, for, under our system of raising the revenue for the Federal Government, the store where we buy our commodities is our tax-collector's office, and we pay our taxes in the price of our goods—pay double the premium on gold which we see quoted as the New York premium. On careful reflection it will be found that this calculation is, in most cases, rather below than above the real facts. The profits of trade and the number of middle-men may in some cases be less, in most cases it is certainly more, than here assumed. The importer, in making his prices, has to make an allowance for the fluctuations of the money, and therefore always takes outside figures, and certainly cannot take the average premium, which is only calculated at the end of the year.

The cost of importations, in gold, for the year ending June 30, 1875, was as follows:

Cost of merchandise	$533, 005, 436
Freight, 6 per cent	31, 980, 326
Duties	157, 167, 722
	722, 153, 484

Thirty-four per cent. on this amount is what the final consumers

pay for premium on gold when quoted at 17 per cent., amounting to $245,532,184.

The following table shows, approximately, what the people have paid in this manner as premium on gold in the last ten years. This is over and above the legitimate cost and profit on importations, solely on account of the depreciation of our currency. The amount of importations, the duties, and average "premium" in the table are official figures. Freights range, from experience, from 6 to 8 per cent. I have taken them at 6 per cent.:

Year ending June 30.	Cost of importations.	Freights at 6 per cent.	Duties	Total cost.	Average premium on gold.	Average premium for final consumer.	Amount paid for premium by people.
1866..	$445, 512, 158	$26, 730, 729	$179, 046, 657	$651, 289, 538	41	82	$534, 847, 420
1867..	417, 833, 575	25, 070, 015	176, 417, 810	619, 321, 390	41	82	507, 843, 531
1868..	371, 624, 808	22, 297, 488	164, 484, 500	558, 406, 796	40	80	446, 725, 368
1869..	437, 314, 255	26, 238, 855	180, 048, 426	643, 601, 536	33	66	424, 777, 012
1870..	462, 377, 587	27, 742, 655	194, 538, 374	684, 658, 616	23	46	314, 922, 962
1871..	541, 493, 708	32, 489, 622	206, 270, 408	780, 253, 738	12	24	187, 261, 897
1872..	640, 338, 766	38, 420, 326	216, 370, 286	905, 129, 378	11	22	199, 128, 362
1873..	663, 617, 147	39, 817, 029	188, 089, 522	881, 523, 698	11	22	193, 935, 213
1874..	595, 861, 248	35, 751, 675	163, 103, 833	794, 716, 756	12	24	190, 732, 021
1875..	533, 005, 436	31, 980, 326	157, 167, 722	722, 153, 484	12½	25	180, 638, 371
Total	....	....	....	....	....	......	3,180, 712, 159

Or an amount of six hundred millions over and above the highest amount of the principal of the entire public debt has been the cost paid by the people on the one item of importation alone for the depreciation of the paper money below par. The total interest saved to the Treasury for ten years on this non-interest-paying debt was, on $380,000,000 legal-tender notes at the rate of 6 per cent, the highest interest on bonds, $22,800,000 per annum, or $228,000,000 for the ten years.

This will illustrate the financial wisdom which misapplied the surplus gold to the purchase of bonds not due, instead of paying off the greenbacks and returning to gold and silver.

Can a people bear this long? A ruinous tariff, sharpened and increased by this operation of fluctuating money, is consuming the very life-blood of our laboring people. Apparently in the above calculation the merchants are the exempt class, but only apparently. In all except the article he deals in, every merchant is a consumer; and, moreover, the welfare of the merchant is so closely connected with the welfare of the community in which he lives that they cannot suffer without his suffering in consequence. The money-dealers, the rich class of gold-room operators alone, who have sprung into existence since this curse of fluctuating currency is upon the country, like maggots on a decaying carcass, are thriving upon the misfortunes of the people. The wealth which has been accumulating in the money centers since the fluctuations of the currency opened a rich field for speculation has been drawn from the labor and substance of the country. No new values were created; the country is not richer; every dollar of these fortunes, enriching a few, came from the many who were impoverished. As the delta formations at the mouths of large rivers are composed of the abrasions of thousands of hill-sides

in the interior, so each of the overgrown fortunes continually increasing in this manner, in New York, Boston, and Philadelphia, represents thousands of streamlets of blood continually drawn from the already depleted veins of a suffering people.

Is it possible that the very sufferers under this accursed system, the people of the South and the West, should cling to this baleful fiction instead of indignantly and peremptorily demanding an immediate return to honest money.

ABSORPTION OF MONEY.

I pass to the second great evil, viz: The withdrawal of capital from legitimate business to embark in the speculations offered by the fluctuations of our money. These fluctuations have given rise to a business of immense magnitude. There is at this time undoubtedly more ready money engaged in it than in any legitimate business in the country. It constitutes a large part of the banking business, and in the great money centers immense sums are held for purposes of this speculation alone. In its rivalry with other modes of investment it presents great attractions to the capitalist. In all other legitimate investments the capitalist has to part with his principal in order to make it bring interest. So in loaning on mortgage, in buying stocks and bonds, in building houses, investing in manufactures, in commerce or shipping, in railroads, or all other branches of the carrying trade. But the gold speculator has his entire capital always on hand. Whether he buys gold or greenbacks, he always has one kind of money or the other on hand, and makes his profit without ever parting with his capital. Add to this the charms of a gambling business and the chances of occasional great hits, and it is easily understood why enormous sums, an enormous portion of the money of the country, is withdrawn from the trade and from all ordinary channels of business and held at the money centers for purposes of speculation, often in immense combinations, sufficient to control the value of gold or paper. When it is remembered that our total currency is seven hundred and fifty millions, and that 1 per cent. rise or fall represents the sum of seven and one-half millions, the immense field for this gambling or speculating can be appreciated.

But capital cannot be withdrawn from the ordinary business of the country without very serious effects. There is in a well-regulated society a certain mutual relation between capital and labor. Indeed, the mission or object of capital in our public economy is to sustain and uphold productive labor. A certain amount of capital invested in agriculture, in commerce, in manufacturing, carrying by land and water, sustains and employs a certain amount of productive labor. It follows that capital cannot be withdrawn from its ordinary investments without disengaging or throwing out a corresponding proportion of labor. Do we not see it all around us? The cry is raised from one end of the country to the other of laborers without work, of the country being overrun by tramps, of the contraction in the employment of labor everywhere. The nature of this gambling and speculating business is one which makes the capital embarked in it a barren, unproductive element in the body-politic. Capital which combines with labor, or employs productive labor, is itself productive, but the capital in gambling produces nothing. Profitable as it may be to the gambler or speculator, it creates no values. As robbery by land or piracy by sea is compared to productive trade, so this use of capital only forces values to change hands without being in the slightest degree creative of values. Even where labor is not entirely thrown out of employment, and industry is not entirely wrecked, still the want

of capital, formerly productive, but now in this piratical employment, is felt throughout the country, and every branch of industry is prostrated because of its absence.

Would our financiers cure this evil by issuing more currency, by increasing the volume and the fluctuations, feeding speculation instead of ending it, adding fuel to the fire instead of extinguishing it? Let those who complain about the want of money in the ordinary transactions of the country, and the consequent stagnation in enterprises, recognize the cause which withdraws from business the millions used in speculation in the fluctuations of money, and assist in removing that cause. Pay off the fluctuating currency, have but one money, the honest, stable money of the world, gold and silver and paper exchangeable at will into gold or silver, and that entire speculation will cease. Shut up the gold rooms and their dependencies and imitations throughout the country, and the vaults of New York, of Boston, and of Philadelphia will open, and the outflowing millions which will be compelled to seek investments in legitimate channels will impart new life to every branch of industry and trade. Considering that all the capital thus released will seek proper employment, while additional capital created by inflation would to a great extent find its way into the very hands of money gamblers, I assert, without fear of contradiction, that more capital will in this manner, by resumption of coin payment, be thrown into business than the boldest inflationist has ever proposed to issue "to suit the demands of trade."

Who does not see clearly that the agricultural and laboring population are altogether on the losing side. They are emphatically the bearers of the burden. They create the only values we have, only to be plundered of them by the operation of a fluctuating currency. Throughout the huge carnival of gambling and speculation which has convulsed the country for years, where has there ever been a share for them? For all their purchases they have to pay the inflated prices; for what they sell, the price is made in England on a gold basis. The insurance against the gambling risk, as it may be termed, which means the allowance every merchant or middle-man has to make in buying or selling for the risk he runs that the goods while on his hands may depreciate because of the change in the value of money—in every instance, buying or selling—counts against the farmer. The millions accumulated by the money-dealers and speculators are drawn from his substance.

The following authentic statement, taken from the New York World, will show that the farmers' produce has not kept pace in price with the inflated values of everything he consumes:

*Average value at New York.**

	1856 to 1860.	1870 to 1874.
Wheat per bushel	$1 53. 6	$1 53. 6
Corn per bushel	78. 5	77. 18
Pork per barrel	18 36	18 20

*1856 to 1860, gold; 1870 to 1874, currency.

I have shown that the lowest interest on our national debt can only be obtained by a high national credit, and that the highest credit will never be attained while our broken promises to pay, long past due, flood the country by millions.

I have shown that the pretended saving of interest on that portion of our public debt represented by legal-tender promissory notes is a gross delusion, and that the people pay vastly more on the one item of imported goods, because of the depreciation of our money alone, for every dollar saved to the Treasury in interest.

I have shown that the fluctuations of money have created and are upholding an immense speculative business of a piratical character, which has withdrawn and is keeping from the ordinary channels of business a vast proportion of the money of the country, which can only be recalled to permanent and useful investments by shutting up that speculation.

And these evils are now operating from day to day. Speak about the wisdom of delay and the prudence of inactivity, while day by day the worm is eating at the heart of our prosperity. Cruel indeed is the prudence and cold-hearted the caution which fears to apply the saving knife to stop the destructive work of the cancer. Delay of the remedy means unchecked progress of the sickness. The cold cloud of general fear and distrust of the future has settled upon the commercial life of our country, killing every budding hope with its icy breath. The re-animating blessing of confidence and trust can only be restored, not by halting and insincere professions, but by open, unreserved, and honest action.

Confidence is said to be a plant of slow growth; but more than once public opinion has instinctively felt the presence of an honest purpose in the public councils and met it with a sudden and generous response of confidence, accomplishing the work of years as with a magician's wand.

The importance of immediate action cannot be over-estimated. We need, and the country demands, above all, the establishment of a definite financial policy. Perhaps, of all the evils of our unsettled currency, the uncertainty as to the future, felt by every one, is the most paralyzing to business throughout the country. The approach of a party convention, of a session of Congress, fills every capitalist who holds our securities, and every business man in the country who is to any extent a creditor or a debtor, with apprehension. Capital is proverbially timid, and a state of periodical fear is not calculated to foster and inspire confidence. Without confidence there is no investment, without investment there is no business.

A speedy return to a money system based upon the money of the world, gold and silver, alone can bring about the feeling that we have arrived at a lasting and settled financial condition. No one will fear, when we have once re-established a coin basis, that we will ever go back to irredeemable paper, for a war like the one which created it is henceforward impossible. Whatever plan shall be adopted to bring about this desired end must be adopted now to make an end of uncertainty, and it must be adopted in a manner clear and distinct, practical and well defined, so that the country will understand exactly what it means, and it must be irrevocable and final.

In the debates of the Forty-third Congress a distinguished republican Senator said:

> Uncertainty in the policy of a government in reference to finance is one of the worst of public evils. If you can mark out a policy, if it be not the wisest policy that could be devised, if nevertheless it is a clear and positive policy, if it opens to the public mind the ideas of Congress and the course that is to be pursued, men at once adapt themselves to it.

Judged by this test, the act of January, 1875, must certainly be considered a failure. It indicates no plan of resumption, nor does

it provide for the means. All the late discussions show that the act is not considered by the country a settlement of the question at all. The first article, providing for the redemption of fractional currency, is the only article of any value; but even that value depends upon collateral measures. If that redemption is made part of the general redemption of the currency, going steadily on to the end without intermission, and thereby raising the currency to par, the silver will remain in circulation and do its service; but if it is left an isolated measure, the silver will disappear from circulation as fast as it is issued, and even that will be a failure. The only practical result of the law of January, 1875, could be to postpone action until 1879.

But if that act is of no value, why postpone anything to 1879? No careful reader of the report of the Secretary of the Treasury can fail to see that his statement of the difficulties of hoarding a large amount of gold until 1879, to be then used in redemption, is an excellent argument against hoarding until 1879 and in favor of using the coin for redemption as it is collected.

I cannot imagine a single reason for returning to specie payment which is not at the same time a reason for returning to it as soon as possible. No cause for delay can be given. We expect nothing in the near future that will alter the present state of things. Nor should we, like that British financier, Mr. Wilkins Micawber, "wait for something to turn up." If we believe earnestly and honestly that the relief of a great evil will come by resumption, in the name of God, let it come at once. In the uncertainty of the future it might be well to consider that the nation might at any time be drawn into a war. A war while our currency remains unsettled would at once depreciate our money, would be of enormous cost, and would postpone the settlement of our finances indefinitely.

I would therefore urge a speedy commencement of resumption. But before passing to the mode of resumption which I consider the most practical, I will review some of the reasons given by advocates of delay.

It is held by some that we cannot resume specie payments until the balance of trade has turned in our favor. It is sufficient to answer that for many years we sustained specie payments and enjoyed high prosperity while the balance of trade was steadily against us. But the logical conclusion of this argument would be that as soon as we would succeed in turning the balance of trade against England, for instance, we should force England to abandon coin payment and take to irredeemable paper. Trade will never be exactly balanced. The balance of trade has always been, and always will be, on one side or the other. The idea that a nation when the balance of trade turns against it should be forced to irredeemable paper money is absurd and not sustained by a single fact in history. We know the causes that have brought about the various experiments of irredeemable paper money, but the balance of trade had never any connection with such causes.

Again, it is said that we have not enough gold or silver in the country. Gold and silver have been driven out of circulation by the presence of an inferior money. Bad money always drives the better money out of circulation. The reason is plain. If a man has debased money which is valueless abroad and has a forced value at home, and he has at the same time gold or silver valuable all over the world, he will pay his debts and make his purchases with the inferior money, paper, and keep his gold; and in course of time, knowing that the stocking-bank or a hole in the ground into which he could bury his gold

pays no profit or interest, he sells his gold and silver at a profit, and operates with paper, which answers his purpose. So the gold and silver leave the country and go where they are wanted. In this manner gold and silver have been driven out of the country, and the metals from our mines find a foreign market. The only use of gold now is in the importing trade, and just as much as is needed for that is held in the country, because only that much pays to hold. The banking business of the country, the loaning of money, insurance, and all uses of money which bring interest and profit on the same, are all done with paper, and gold over and above what is wanted would bring no interest. Consequently, like cotton, like wheat, or any other commodity, it goes where it is wanted and where it therefore brings profit. It floats to countries where it is money and brings profit and interest. Let it be made our money again and again become profitable, and it will find its way here again at once, to just such an extent as it will become profitable. The higher interest alone which is generally paid on this side of the Atlantic will always facilitate the floating of gold and silver to this country.

I will quote from a high authority, Walter Bagehot, on "the experience of the Bank of England:"

> Foreign payments are sometimes very large and often very sudden. The cotton drain, as it is called, the drain to the East to pay for Indian cotton during the American civil war, took many millions for a number of years. A bad harvest must take millions in a single year. In order to find such large sums the Bank of England must require the steady use of an effectual instrument. That instrument is the elevation of the rate of interest. If the interest of money be raised, it is proved by experience that money does come to Lombard street, and theory shows that it ought to come. Loanable capital, like every other commodity, comes where there is most to be made of it. Continental bankers and others instantly send large sums here as soon as the rate of interest shows that it can be done profitably.

These objections then can be considered entirely irrelevant. Of no more serious weight is the argument that it is an injustice to the debtor to raise the value of the currency with which he has to pay his debts. There is hardly a distinct class which should be called a debtor class. In most cases debtors are at the same time creditors. They owe money and have money owing to them. But, apart from that, debtors do not make the owing of debts their sole pursuit in life, they are at the same time farmers, merchants, mechanics, manufacturers, they have some business or other. They are never gold speculators. I have shown that gold speculators are the only class of men who profit by the fluctuations of the currency, and that all others suffer. It is safe to say, therefore, that in ninety-nine cases out of a hundred the debtor, as business man, will gain more in the improvement of general prosperity and in his general business relations by a steady currency than he will lose by paying his debts in a better money. But where would this reasoning in favor of a debtor class lead to? If it proves anything, it would prove that we must take measures, for the sake of the debtor, to always keep the currency debased, and, if necessary, to depreciate it by legislation. For, if it injures the debtor, that the currency rises to par with gold and silver, it would be immaterial to him by what cause the currency is so raised, whether the rise be spontaneous, through its intrinsic merit and value, or by legislative action toward resumption of coin payment.

A year ago, when currency was only [illegible] per cent. below par, the friends of paper exultingly declared that the money was on a steady advance to par. They proposed to wait and do nothing, inasmuch as paper would soon reach par, and then we would have a coin standard without any measures for resumption. Half a year later, paper had gone

back to 17½ per cent. below par. We learned that letting the currency alone would not achieve the object. Their predictions were exploded. Now, will they not have the candor to admit that if their predictions had become true the debtor class would have passed exactly through the same ordeal as when money is brought up to par by gradual resumption of specie payment?

Some losses there will always be; they have to be borne now or later; but have not the creditor class in this last year lost also by loaning money when it was worth ninety-three cents and receiving it back when it was eighty-four cents on the dollar?

This is no argument which should arrest action. The sudden shock to business which is feared by many from a resumption of coin payment will be avoided by making that resumption gradual, as I propose that it should be made. Moreover, the fears of panic or violent disorder in business on resumption are in the very nature of things erroneous. Panics are caused by doubt and fear. What doubt can there be by the removal of all cause of doubt? An honest, open policy, a final compliance with engagements long deferred, a clear course laid down for the future, which "he who runs may read," can cause no doubt nor want of confidence, but, on the contrary, must create confidence, and can therefore create no panic. "Honesty is the best policy;" from this rule there is no exception.

Finally, it has been urged that we had better wait for easier times before we begin to resume. The state of the currency, it may be answered, the uncertainty of our financial future, which deters timid capitalists from investment, are among the chief causes of our hard times, and their removal by resumption will be one of the chief elements in the cure. We are in every way in as good a condition to resume now as we have any reason to expect to be in the future.

In the early part of my remarks, I have said that the inscription on the face of the legal-tender notes contains the whole argument. I have shown from it the nature of the promise and defined the obligation. But it also points out the only honest plan of dealing with it.

"THE UNITED STATES PROMISES TO PAY TO BEARER TEN DOLLARS."

As in geometry there is only one straight line from one point to another, while there are a thousand more or less crooked lines around, so with all the numberless devices, the squirming, the plans how to get around that obligation; there is but one honest and straightforward way to settle this matter, and it is, like all true solutions, plain and simple. Thirteen years ago the United States promised to pay $10 to the bearer of this note in coin, for, remember, at the time of making this promise a dollar meant a dollar in coin, and the only mode of meeting the problem now is to pay those $10 in coin and all the other like promises likewise. None of the by-paths, substituting other promises for these, nor giving slips of paper called "absolute money," nor 3.65 interchangeables, nor any other of the numerous schemes "how not to do it," will comply with these promises. The only compliance is to do what you promised to do.

I will now pass to a proposition of the manner in which the redemption of these notes should be carried out. And I will first remark, that while the main proposition, the immediate commencement of the extinguishment of this debt by paying it in coin, is in my opinion demanded by every interest of our country, and while on that point my convictions are strong and immovable, I do not pretend that the details of the plan I submit are not capable of improvement and

will not need perfection at the hands of those familiar with all the workings of our system. I will put before the House a definite, tangible, and feasible plan, however, to be considered, discussed, altered, or amended by those who have something better to propose.

Commence with the resumption of fractional currency on the 1st day of June next, paying out one million per month, commencing with the smallest denominations as they are not as apt to be withdrawn from circulation. After this resumption or redemption has been going on for five months, commence redeeming the legal tenders on the 1st day of November, 1876, by selling ten millions of gold or silver every month for legal-tender notes. Simultaneously the taking up of the fractional currency continues at the rate of one million per month until exhausted. At the end of each month all redeemed currency is to be destroyed by fire. Repeat the same process every month, until finally all those promises to pay the three hundred and seventy-five millions of legal tenders are paid, canceled, and destroyed.

No law need be passed repealing the legal-tender act, no law setting a certain day when contracts are to be paid in coin. The operation of that system of redemption will, slowly and surely, from the very day of the passage of the bill, bring up currency gradually to par without any violent shock or change. When the last legal tender is destroyed they will belong to history, and then we will have no money except gold and silver and redeemable paper, for the national banks will keep pace with the advance of the legal tenders to par as their circulation is now redeemable in legal tenders. Long before the last legal tender shall be destroyed they will be equal to gold and silver, and the banks will as willingly redeem in coin as in legal tenders. The means for this operation will be obtained in this wise: First, all the surplus receipts of gold in the Treasury, over and above the amounts necessary for the payment of interest on national bonds and specified necessary gold expenditures, shall, from the passage of the law, be appropriated for the redemption of legal-tender notes alone, until they are all paid and canceled. Is the obligation to pay thirty millions per annum to the sinking fund any more sacred than the promise of the legal tenders? One is a theoretical obligation not affecting our credit, and in which no one has an interest; the other is a promise upon the fulfillment of which rests the welfare of our people, the order of our commerce, the restoration of credit, and the return to a sound financial system. But we need not even be forced to a choice between these two obligations. An amount of one hundred and eighty-three millions of the surplus gold has been used for the purchase of bonds over and above the requirements of the sinking fund, and to the detriment of the obligation to pay the legal-tender promissory notes. Let that amount of bonds be turned over and charged to the sinking fund and we will be relieved of further purchases for more than five years, which is more than the time required for the redemption, and can apply the entire surplus gold in the Treasury for that purpose. That surplus has heretofore averaged more than seventy millions, but in this last year has come down to fifty-four millions. It is reasonable to suppose that with revival of trade it will increase.

By making the appropriation of all the surplus gold operative at once on the passage of the bill and beginning resumption on the 1st of November, 1876, we would commence on the present amount of gold in the Treasury and the accumulation of six or seven months more, always deducting as a matter of course what is required for the payment of interest on bonds. This fund, increased during the progress of redemption by the current surplus, would be sufficient to carry

redemption for say ten months at the rate of ten millions per month. But after that there would be deficiencies every month of nearly five millions, provided that the payments would continue at the rate of ten millions per month. To create a reserve fund to cover these monthly deficiencies, I propose to grant authority for the issuing of one hundred and twenty millions of bonds bearing 4 per cent. interest, to be sold for gold or silver only when required and in quantities as may become necessary.

But there can be no doubt that before the lapse of those first ten months of the monthly redemption currency will have reached par with gold and silver. No compulsive measure is proposed to be passed to force the presentation of greenbacks for redemption. The motive urging their presentation will be, at first, the higher value of gold and silver. When that motive has ceased by paper reaching par, then the presentation for redemption will become slower, and it is exceedingly doubtful whether, after the redemption of the first one hundred millions, they will be presented at the rate of ten millions per month, or even one-half of that amount. In case of presentation falling off in that manner, the time will increase and the monthly amount of coin needed will be reduced. Thus very little of that reserve fund, if any, may ever be called for, and the ordinary surplus in the Treasury from customs receipts may be found sufficient for the entire redemption on this plan. Indeed, when I consider the total disappearance of a motive for presenting the legal-tender notes for redemption after they have become par with gold, and the fact that the presentation will always involve more or less exertion, perhaps expense and risk through agencies, not counterbalanced as I say by any gain, I feel convinced of two results: First, that the reserve fund of one hundred and twenty millions as provided will never be used, and will only act as a strong reserve in battles has sometimes acted, by the moral effect of its presence; and second, that Congress may hereafter be compelled to make regulations to bring about the presentation of the rest of the legal-tenders and their cancellation by such measures as the rule to replace no mutilated notes by others, but by coin, and to cancel all those that are paid by way of taxes, and not use any in disbursements.

If I am correct in this reasoning, (and I have a firm conviction that I am,) then my entire plan would simply amount to this: that the accumulations of coin in the Treasury shall not be hoarded and withdrawn from circulation, but shall be used in redemption of our promises as fast as they accrue, and that, so far from requiring the withdrawal of coin from any other source and so far from assisting in its burial in the Treasury vaults, it will keep all the gold and silver in circulation, adding to the volume afloat instead of reducing it.

Throughout my argument I speak of gold and silver alike. Silver has lately depreciated in value because it has ceased to be money in Germany, as it had before in England. Only for fractional coin is silver there used. The great markets have been China, Japan, and the East Indies. In India the market has lately diminished greatly by the general falling off of money remittances to that country, its balance of trade with England having changed. Silver, from rating formerly with gold in this country as one to fifteen, is now less than one to sixteen and one-half. The tendency, unless checked, would be for further depreciation. Now, it certainly cannot be the policy of the United States, having the richest silver mines in our own borders and in the adjoining provinces of Mexico, with which our dealings will steadily increase, to depreciate silver.

Whatever policy European nations may find proper to adopt, it is clearly our policy that the value of silver as money should be sustained on the American continent. Therefore I would propose the rapid coinage of a silver dollar of weight and fineness to be equal to a gold dollar, and I would give it a more important part to perform in our circulation than ever before. Let it be made a legal tender like gold and no one will complain. The downward tendency caused by the displacement of silver in Germany will be counteracted by the appreciation here. As a medium of exchange at home it is equally valuable with gold. In Mexico the greatest transactions are made with silver, without its ever being considered inconvenient. In this country, gold and redeemable paper being at the same time in circulation, where the bulk is an objection, either of the other kinds of money can be used. But the bulk is sometimes an advantage. I have known more than one instance where the robbing capacity of a thief or robber was limited by his carrying capacity. That late steal of $47,000 carried from the Treasury in the breeches-pocket of a clerk could not easily occur with that much silver. I think that silver should be received with gold in payment of customs, and the one hundred and twenty millions of the reserve fund for redemption, if used at all, should be offered always in small quantities only as needed, and for silver as well as gold. In the same proportion as received silver should enter into the redemption of the legal-tender notes. This, it is presumed, will create a home market for all of these bonds that may have to be sold.

It may be mentioned that Congress will meet every year during the operation of this plan, and can provide for such change of detail as may be called for and found advisable.

The national-bank system has been mixed up with the question of resumption. No change should be attempted until after redemption of all the currency of legal-tenders. I look upon the national banks as being a most valuable ally and assistant during the period of redemption. Their currency, three hundred and seventy-three millions, is redeemable in legal-tender notes, and as a matter of course will keep step with the greenbacks in advancing to par, and will finally be redeemable in coin, and then entirely unobjectionable. This is a currency of three hundred and seventy-three millions which will not be touched, and will continue in circulation all the time, and be a fly-wheel, as it were, to the machinery of redemption. On the other hand, there are many who desire the abolishing of the national-bank issue, and a change of the entire amount of the currency to the Government notes. This would be a deplorable step; a pledge, I should take it, that this generation does not mean to have coin payments again. For consider what the change would be. At present our total paper circulation is about seven hundred and fifty millions, one-half legal-tender and one-half bank currency. By redeeming the one-half of Government notes, the other half, as a matter of course and without a dollar cost to the Government or the tax-payers, becomes redeemable in coin and the burden of that conversion falls upon that class of our people who have profited most by our financial condition, and are most able to bear it—the owners of the national banks. But by first changing the entire circulation of the banks into legal-tenders, and then having the entire seven hundred and fifty millions to meet and redeem in coin, would double the task on our hands and make redemption twice as difficult, besides throwing it entirely on Government. Virtually it would be turning our back upon resumption forever, and our road to honest metallic money, for come it will ultimately, would lie through national bankruptcy and ruin.

But there are other reasons against this change. Our people, and more particularly the democratic party, have always maintained that our Government is and should forever be one of limited powers, and one of a circumscribed sphere of action. Are we prepared to yield the very essence of our institutions and make our Government the chief banker and money-dealer of the country, sapping and destroying its foundation and corrupting the last remnant of honesty in its composition? And for what? The impression has been created, by folly or design, that the interest on the four hundred million bonds held by national banks as the basis of their circulation would be saved. Is it possible that any one pretending to an opinion should be ignorant of the fact that these bonds are not issued for that special purpose, but are part of our pre-existing, funded national debt, created for war expenses that had nothing to do with banks? That the bankers had to purchase them from other holders, in many cases in Europe; that they bore the same interest before the banker held them as they do now, and will bear precisely the same interest after he shall cease to use them for security as now; and that the only result of a change, as proposed, would be that the present holders, citizens of our country, would probably sell them and the interest would most likely have to be paid in Europe hereafter instead of at home? It is a remarkable fact, ridiculous if it were not sad, that any considerable portion of our people should be ready to run their Government into banking and money dealing, not temporarily, as during the war, but permanently; to throw off their principles of government like an old garment; to sell their birth-right for a mess of pottage, only to find out too late that the pottage was all a mistake. Fortunately there is still a barrier in their way. There is not the shadow of a doubt that the Constitution forbids any additional issue of irredeemable money as a legal-tender.

It may be noticed that contraction forms no part of my plan of resumption. In this I must confess that I differ from most of the advocates of hard money. Inflation and contraction have only a meaning while we retain this isolated currency. When we determine to pass over to a currency of gold and silver and redeemable paper, and take steps to it at once, we need not fear inflation nor desire contraction. With such a currency once attained inflation has no terrors. We cannot have too much gold or silver as long as the whole world is open to them and regulates their value. That contraction must precede resumption is erroneous. I see nothing to be gained or saved by it. We cannot contract without giving full value for what is withdrawn; where then is the gain? The total amount of our legal-tenders must be paid off one way or another. Contraction would not raise the paper to a par with gold. It is and remains no more nor less than a promise to pay at an indefinite time, wholly at the option of the debtor and bearing no interest, that debtor having the prestige of ten years' default. Such a paper can never be at par with gold. The legal-tender act alone gives it the value it has; the repeal of this act would certainly bring it down to a low figure. Therefore I see no good in contraction.

On the other hand, a redundant currency like ours is at present at the beginning of redemption will help us over what might be a temporary trouble.

I think that the passage of a law embodying the plan of the payment of these promissory notes in coin, as I have indicated, would at

once raise the value of our currency, and that by the 1st of November, when payments begin, the discount will have been very greatly reduced and currency will have made great progress toward par. The rate at which it will advance is of course a matter of conjecture, but the following causes will all co-operate to a rapid rise in the currency, or, as some prefer to call it, a decline in gold.

First. The promise to pay, now indefinite and doubtful, will at once become by the passage of the act definite and certain, and thereby gain an intrinsic value.

Second. Doubt being removed by a settled policy and the end of gold speculation becoming apparent, capital will be withdrawn from these speculations, will find courage for permanent investments, and will appear everywhere in permanent business.

Third. The appreciation of paper or the decline of gold will not be fluctuating like before, but, the day of settlement being fixed, will set in steadily toward par; therefore gold will not be as desirable an article to speculate in, as it cannot be held with a prospect of a rise, but must be held with a certainty of its decline, if held at all.

But in spite of these co-operating causes, gold and silver may on the 1st of November, and may be for three or four months afterward, possibly worth so much more than paper-money as to cause the coin to be bought up and shipped or put out of sight. The result would be that for those three or four months ten millions of legal-tenders per month would be withdrawn from circulation without the equivalent in coin taking its place in circulation. The withdrawal of such an amount from circulation might be seriously felt if redemption were to commence on a contracted currency, especially as it would be accompanied by imaginary fear of more contraction; but a redundant currency at the beginning will help the country over that time imperceptibly. In other words, the redemption of legal-tender notes may of itself work a temporary contraction, and therefore should not be preceded by contraction.

For this reason, if for no other, the redemption of legal-tender notes by bonds is objectionable, as it would withdraw money and not replace it by other money, but by interest-bearing bonds, which are investments, but not money. Only for one purpose would I consider the sale of bonds advisable. If all the gold in the Treasury is used for redemption, and the Government should fail, against all hopes, to retrench and reduce its expenditures, currency may be needed for deficiencies in the current expenses of the Government. By selling small amounts of bonds for legal tenders to cover such deficiencies only, and at once paying out the legal-tenders, they would remain in circulation until, in their turn, they are redeemed and destroyed. But it is to be hoped that Congress will succeed in so reducing the expenditures as to avoid such deficiencies and avoid the necessity of the sale of these auxiliary bonds. As soon as currency reaches par value, gold, silver, and currency will indiscriminately appear in the receipts of the Government, as well as in its disbursements. Currency once at par and all the hoards of coin in the country will open, our financial brooks and rivers will run with a steady current, and the day of our deliverance will have arrived.

Among the various causes for our hard times, the general distrust in our railroad investments and other enterprises of associated capital, caused by the widespread dishonesty in their management, occupies a prominent place. European capital, which for a time flowed with a steady current to sustain our railroads, has entirely ceased to invest in them. Watering of stock, contracting companies, absorbing the

means of honest investors, and all other notorious devices of the kind, have permanently, at least for present calculations, deterred money from such investments. Inordinate greed has killed the goose which laid the golden egg. I only mention this subject so far as it has a bearing upon our public finances. Money is gathering at all the money centers of Europe and our own country in immense amounts for want of investments which command confidence. The inevitable result will be that first-class Government securities, these rival investments being removed, will be sought for more than ever. It seems inevitable that, with the competition of investors, first-class governments will soon get money at a lower interest than ever. Now then is the time to remove the last dead weight on our credit, the broken promises which now flood the country, and turn our attention to the reduction of the interest on our national debt.

I have said nothing partisan in the course of my remarks. The question is a national, not a party question. But no party can afford to give it the go-by. A party which has no pronounced opinion on this, the most important interest of our people, will never be intrusted with the government of our public affairs.

The national democratic party has given a distinct pledge in its platform of 1872 in favor of the earliest possible resumption of specie payments. So far it never had the power to carry out a policy.

The republican party has created the debt; the promises of the legal-tender notes are its promises. Since the war, having unlimited power, all it has done was to re-iterate the promises to pay the greenbacks "at the earliest practicable period" in the law of 1869, and declare them payable in coin.

It is not too much to say that it has never taken an earnest step toward resumption while it held the power. It is entitled to all the credit for what has been well managed in our national finances during and since the war, nor can it escape the responsibility for all the shortcomings.

From experience I have found the following note necessary:

Question. How can we avail ourselves of good credit and consequent low interest when the bulk of the national debt is already funded at 5 and 6 per cent. interest?

Answer. The bonds are all issued with one term when they become redeemable and another term when they become payable. What is known as five-twenties are bonds which mature at twenty years, but which can be redeemed by paying their face value at any time after five years. The following issues of bonds are now redeemable and can be called in and paid off whenever we find that we can sell a new bond at a low interest for the purpose of taking up the old issues:

Redeemable after—March 1, 1874, 5 per cent.	$194, 566, 300
November 1, 1869, 6 per cent	46, 891, 100
November 1, 1870, 6 per cent	152, 534, 250
July 1, 1870, 6 per cent	202, 663, 100
July 1, 1872, 6 per cent	310, 622, 750
July 1, 1873, 6 per cent	37, 474, 000
	944, 751, 500

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TITLE